

Snowe, Michaud, Pingree Continue Work to Sustain Brunswick's Commissary & Exchange Services

Tuesday, September 22 2009

WASHINGTON DC – As part of their ongoing effort to sustain commissary and exchange services for the thousands of veteran beneficiaries who will continue to reside in the mid-coast region of Maine following the closure of Brunswick Naval Air Station (BNAS) in 2011, U.S. Senator Olympia J. Snowe along with U.S. Reps. Mike Michaud and Chellie Pingree (D-Maine) yesterday, in a letter, urged Under Secretary of Defense Gail H. McGinn to thoroughly examine the U.S. Department of the Navy/Defense Commissary Agency (DeCA) study which affirms the previous decision of the department to close the commissary and exchange.

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“We strongly urge that you carefully review the Navy study as we believe that a critical examination will reveal that the Navy omitted and failed to analyze relevant facts, highlighted irrelevant statements, and relied on analytic methodologies that resulted in significant uncertainties in data on which Navy findings and recommendations are based,” the lawmakers wrote. “We believe that a critical analysis of the Navy's review is particularly important as your review and findings will inform and shape Secretary Gates's fiscal year 2011 budget recommendation to President Obama on this issue.”

The bipartisan trio concluded, “In addition to support from local community leaders, you should also be aware that General Craig McKinley, USAF, chief, National Guard Bureau, supports the request of Major General John Libby, USA, adjutant general, Maine National Guard, for continued exchange and commissary operations in Maine. In a letter to General Libby, dated July 8, 2009, General McKinley stated that, ‘The Department of Defense needs to continue providing these important benefits to the current and retired military members of our Nation's military forces, and their families. They deserve nothing less.’ We couldn't agree with General McKinley more.”

*Copy of the Letter Follows:

September 21, 2009

Ms. Gail H. McGinn

Performing the Duties of the Under Secretary of Defense

(Personnel and Readiness)

4000 Defense Pentagon

Washington, DC 20301-4000

Dear Secretary McGinn:

Thank you for forwarding the results of the Department of the Navy/Defense Commissary Agency (DeCA) study on sustaining commissary and exchange operations in mid-coast Maine following the closure of Naval Air Station Brunswick (NASB) in 2011, and stating your commitment to review the Navy's assessment. We strongly urge that you carefully review the Navy study as we believe that a critical examination will reveal that the Navy omitted and failed to analyze relevant facts, highlighted irrelevant statements, and relied on analytic methodologies that resulted in significant uncertainties in data on which Navy findings and recommendations are based. We believe that a critical analysis of the Navy's review is particularly important as your review and findings will inform and shape Secretary Gates's fiscal year 2011 budget recommendation to President Obama on this issue.

The Navy study affirms the previous decision of the department to close the commissary and exchange on the basis of three arguments. First, there will be a decline in the number of authorized patrons. Second, that the decline in patrons will result in financial losses. And, third, there will no longer be a full time active duty mission at NASB as of September 2011.

There are two facts about the number of authorized patrons that will remain in the Brunswick-Topsham-Bath community following NASB closure that are relevant in an analysis of whether to sustain the commissary and exchange services. First, by the Navy's own estimates, the active duty strength in Maine's mid-coast region will exceed the number required under Defense Department policy to maintain a commissary or combined commissary-exchange by over 200 percent. According to the Navy, following the NASB closure, there will be at least 300 or more active duty personnel in region. To put this in context, there will be at least eight commissaries around the nation supporting fewer than 300 active duty personnel. Second, with even the most conservative estimate of authorized patrons, the number of authorized patrons in the mid-coast Maine area will remain strong and robust after the official closure of NASB in 2011 as compared to other stores nationwide. The patron base for the mid-coast community defined by DeCA, for example, will exceed the number of patrons of at least 31 commissaries around the country.

The Navy argues that historic financial losses as well as projected future losses at the exchange and commissary necessitate terminating benefits to those who have earned them. The Navy analysis, however, fails to note that the average commissary operating costs requiring annual appropriations are approximately \$4.6 million per store. According to data provided by DeCA, however, the operating costs at the Brunswick commissary would be less than the operating costs of 80 percent of all commissaries. Following closure of NASB, the Brunswick commissary would cost at least 50 percent less to operate than the average commissary. In addition, the Brunswick commissary would continue to deliver on sales and surcharge revenue. Indeed, even by DeCA's forecast, both sales and surcharge revenues generated by the Brunswick commissary would be greater than 20 percent of all commissaries.

The Navy's third reason for recommending termination of services is that "there will no longer be a full time active duty mission at NASB as of September 2011." In short, we find that this statement is irrelevant to the analysis. Defense Department guidance clearly states that relevant criteria encompass only whether an active duty mission will continue to be supported at a military location. While the focus of the Navy's active duty mission is the construction of warships in Bath, the active duty missions of mid-coast Maine servicemembers in support of ongoing operations in Iraq and Afghanistan cannot be ignored.

In support of the recommendation to terminate existing commissary and exchange services, Navy analysts cited a variety of suggested alternatives available to beneficiaries in lieu of existing commissary and exchange products and services. What we truly find distressing about these suggestions is that they are made without a critical review by Navy managers of the impact of closing the commissary and exchange on active duty service members. The Navy-led team did not analyze the impact on quality of life of the active duty servicemember in the course of their review. Given that federal government policies require that the Defense commissary system enhances the quality of life of members of the uniformed services, retired members, and their dependents and supports military readiness, recruitment, and retention, the various implications on the quality of life for these parties, as well as recruitment and retention, should have been integral components of the Navy review.

As you are aware, the Defense Department guidance states that “the commissary program is an integral element of the pay and benefits package for active duty personnel.” Similarly, Defense Department policy on exchange programs is that they “form an integral part of the non-pay compensation system for active duty personnel.” To this end, there will be a very real and tangible impact on the value of the compensation for Navy and other active duty service members stationed in Maine’s mid-coast community if the Brunswick commissary and exchange are closed. As purchases by patrons at Defense commissaries, for example, are valued at a discount to commercial retailers of more than 30 percent, closing the commissary alone will result in a decrease in compensation of at least \$1,161 for single service members, \$2,128 for couples, and \$3,353 for a military family of four.

The Navy argues that it is acceptable to have service members drive to either the Portsmouth Naval Shipyard or Bangor for commissary services. At the very least, implicit in the Navy’s argument is that the Navy will be decreasing the pay of active duty service members by at least \$500 -- the cost of transportation -- and decreasing their leave time by at least eight days per year -- over 26 percent of their annual earned leave -- because of the amount of time that they will have to spend traveling to these distant commissaries. On the other hand, the Navy argument implies that active duty service members can retain their leave days, but lose the full value of their benefits by shopping at commercial retailers in the Brunswick area.

On the issue of shopping alternatives, 74 percent of all commissaries are within 5 miles of a commercial retailer; 90 percent of all commissaries are within 10 miles. Proximity to commercial retailers has never been a standard for terminating commissary or exchange services.

In addition to reviewing the merits of the Navy’s arguments, we also believe that a critical review of the Navy’s data and analytic methodologies will reveal a number of red flags that, at the very least, result in significant uncertainty in the Navy’s analysis and estimates and further challenge the basis for the Navy’s recommendations. A list of those red flags is attached.

We note that in a presentation on the Navy’s findings and recommendations, the Navy highlights an excerpt from Defense Department instructions to further validate its conclusions. Navy officials quote from Defense Department Instruction 1330.21 that, “Any operation with a loss for any 2 consecutive years or with a loss for 2 out of three years shall close.”

We are very concerned with the Navy’s reference to this excerpt. As we are confident that you are aware, the excerpt is from department guidance referring to an exchange that has undergone certain management actions and study, which has not been the case for the Navy Exchange at Brunswick. The entirety of the guidance states that, “All exchange operations on closed installations shall undergo a 1-year test period to establish profitability. For operations that are not profitable, the exchange service shall take action to achieve profitability. Any operation with a loss for any 2 consecutive years or with a loss for 2 out of 3 years shall close.” At no point in the Navy analysis has there been any reference to such a test period, or a discussion of any management actions taken to achieve profitability, nor has the Navy proposed that such a period begin.

Lastly, while the Navy stated in the review that it had not received letters of support from the townships of Brunswick or Topsham by June 18, 2009, such letters do exist. In a letter dated June 4, 2009, Gary Brown, acting town manager, Town of Brunswick, stated that the Brunswick Town Council supports a commissary and exchange program. In a letter dated June 19, 2009, Mr. James Ashe, town manager, Town of Topsham stated that Topsham Board of Selectmen voted on June 18, 2009, to endorse the proposal to maintain a military commissary and exchange facility in the mid-coast region upon the closure of NASB in 2011, and noted the willingness of town managers to discuss with Defense Department officials utilization of the current store for such activities. Both letters were addressed to your office with copies of their letters provided to the Secretary of the Navy and the Chief of Naval Operations.

In addition to support from local community leaders, you should also be aware that General Craig McKinley, USAF, chief, National Guard Bureau, supports the request of Major General John Libby, USA, adjutant general, Maine National Guard, for continued exchange and commissary operations in Maine. In a letter to General Libby, dated July 8, 2009, General McKinley stated that, "The Department of Defense needs to continue providing these important benefits to the current and retired military members of our Nation's military forces, and their families. They deserve nothing less." We couldn't agree with General McKinley more.

Thank you again for your prompt attention to this matter.

Sincerely,

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